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AGENDA ITEM #4463

WATER/FLC/PTL/AAA:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4529

April 21, 2005

R E S O L U T I O N

**(RES. W-4529), MEADOWBROOK WATER COMPANY (MWC).
ORDER AUTHORIZING A ONE-TIME SURCHARGE TO RECOVER
AN INCREASE IN WATER TESTING COSTS PRODUCING AN
INCREASE IN ANNUAL REVENUES OF \$8,827.01 OR 2.28%.**

SUMMARY

This resolution grants MWC an offset rate increase in gross annual revenues of \$8,827.01 or 2.28%, which will be recovered through a one-time surcharge of \$6.50 per customer. This is in order to recover the balance in MWC's Water Quality Memorandum Account (WQMA). This rate increase will not result in a rate of return greater than the last authorized for MWC.

BACKGROUND

MWC, by Advice Letter (AL) No. 47, filed on February 16, 2005, requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to add a one-time surcharge to its tariff Schedule No. 1, Annual General Metered Service, resulting in an increase in annual revenues of \$8,831.01 or 2.28%. This increase is to recover MWC's WQMA balance. The WQMA account tracks water testing costs above and beyond the amount allowed in the last general rate case.

MWC presently serves 1,358 flat rate and metered customers 1-1/2 miles northwest of the City of Merced, Merced County. MWC's Schedule No. 1 rates became effective on September 7, 2004, pursuant to Decision No. 92-03-093, which authorized a monthly recovery of \$4,502.34 or 1.2%, Consumer Price Index (CPI) for 2003; an increase over the prior year's adopted revenue, based on the most recent year-end increase in the CPI.

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MWC's last general increase became effective November 1, 2002, pursuant to Res. No. W-4359, which authorized a general rate increase of \$91,186 or 32.1%, and a rate of return of 12.25% for Test Year 2002.

DISCUSSION

Res. W-4013, dated December 20, 1996, which expired January 1, 2002, and Res. W-4327, dated March 6, 2002, authorized all Class B, C, and D water utilities to establish WQMAs for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs, not presently included in rates. Class B, C, and D water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with GO No. 96-A. WQMA recovery requires a resolution.

The surcharge requested herein would allow MWC to recover the WQMA balance, which totals \$8,831.01 from July 1, 2003 through June 30, 2004. The Water Division recommends that MWC be authorized to assess a one-time surcharge of \$6.50 per customer to recover the \$8,827.00 balance, which will be booked in the WQMA balancing account.

Service is satisfactory. There are no Commission orders requiring system improvements and there are no service problems requiring corrective action. MWC has been filing annual reports regularly and currently complies with all Commission orders and regulations.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to each customer on January 25, 2005. There were no letters of opposition to the requested increase.

FINDINGS

1. Res. W-4327 authorized MWC to establish a Water Quality Memorandum Account.
2. MWC properly established its account and booked \$8,827.01 to it.
3. Staff reviewed the account and determined that recovery by a \$6.50 per customer surcharge for one month is reasonable.

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4. The resultant rate increase authorized in this resolution will not result in a rate of return greater than the last authorized for MWC.
5. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
6. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

THEREFORE IT IS ORDERED THAT:

1. Meadowbrook Water Company's Advice Letter No. 47 is hereby approved.
2. Meadowbrook Water Company is authorized, five days after the effective date herein, to make effective the revised Schedule No. 1, Annual General Metered Service, attached to Advice Letter No. 47, and to cancel the corresponding presently effective rate schedule.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 21, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director